



The Honorable Jeb Hensarling
Chairman
House Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

October 11, 2017

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of Engine and our community of startups, entrepreneurs, investors, and innovators, I write to express support for several bills scheduled for consideration before the House Committee on Financial Services tomorrow. Specifically, Engine reiterates its support for H.R. 2201, the “Micro Offering Safe Harbor Act,” which will facilitate capital access for promising startups.

Engine is a nonprofit and advocacy group that supports high-growth, high-tech startups through research, advocacy, and policy analysis. We work to foster and promote forward-looking government policies and a regulatory environment in which entrepreneurs can launch innovative, new companies that grow and thrive. Through conversations with diverse startups across the country, we know that capital access remains a top challenge in getting a business off the ground.

A large portion of startups rely on small, nonpublic offerings (also known as a “private placements”), such as a “friends and family” round, to raise seed capital. In fact, a 2014 survey by the Kauffman Foundation found that over 28 percent of startups raised some amount of funding from their personal network. However, the Securities Act does not clearly define what constitutes a public offering, or conversely, a nonpublic offering, making it easy for early stage companies to unintentionally run afoul of the law when doing a private placement.

H.R. 2201 would create three bright line safe harbor exemptions for non-public offerings. Under the legislation, offerings would be exempt from registration with the Securities and Exchange Commission (SEC) if each purchaser has a substantive pre-existing relationship with the issuer, there are 35 or fewer purchasers, or the amount being raised does not exceed \$500,000. These exemptions would bring much needed clarity for startups and ensure that a company doing a small, private placement is not forced to complete burdensome paperwork or spend precious resources on an expensive lawyer in order to comply with ambiguous regulatory requirements.

Finally, H.R. 2201 would exempt these micro-offerings from state blue sky registration and qualification laws, decreasing the regulatory complexity for startups doing a small raise.

Engine appreciates the Committee's consideration of this bill and its continued work on capital access issues for emerging firms. We look forward to further engagement with the bills' sponsors and Committee members on these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Evan Engstrom', written over a horizontal line.

Evan Engstrom
Executive Director, Engine

Cc: Members of the House Committee on Financial Services